

Gina Harrison
Director
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004
(202) 383-6423

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PACIFIC  **TELESIS**
Group-Washington

October 16, 1995

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William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Re: CC Docket No. 95-115 - Subscribership and Usage of the Public Switched Network; RM-8159 - BETRS

On October 13, 1995, Colin Petheram, Consumer Affairs Director, Lifeline Service, Outreach, Pacific Telesis Group, Jackie Luzier, Director, Revenue Collection Management, CFO Financial Operations, Pacific Bell, Jeffrey B. Thomas, Senior Counsel, Legal Department, Pacific Bell, and I met with Kenneth P. Moran, Chief, George Johnson, Andrew Mulitz, and Deborah Dupont, Accounting and Audits Division, Common Carrier Bureau; Kathleen M.H. Wallman, Chief, Daniel Gonzalez, Assistant to the Chief, Common Carrier Bureau to discuss issues addressed in the enclosed attachments. In addition, Messrs. Petheram and Thomas, Ms. Luzier, and Alan Ciamporzero, Vice President, Federal Regulatory Affairs, Pacific Telesis, and I met with Chairman Reed E. Hundt, and John Nakahata, Special Assistant to the Chairman, and Daniel Gonzalez, to discuss these same issues. Please associate the attached materials with the above referenced proceedings.

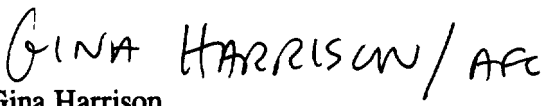
We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

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William F. Caton
October 16, 1995
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Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,


Gina Harrison
Director
Federal Regulatory Relations

Attachments (3)

cc: (without copy of full Affordability Study)
Deborah Dupont
George Johnson
Honorable Reed E. Hundt
Kenneth P. Moran
Andrew Mulitz
Kathleen M H. Wallman
John Nakahata
(with full copy of Affordability Study)
Daniel Gonzalez

Strategies to Increase Telephone Subscribership

Key Points

- **Retention of telephone service is the primary issue**
- **Low basic rates do not guarantee high penetration rates**
- **Innovative approaches needed by carriers at the state level to address specific needs of diverse market segments and state to state variations**
- **Customers need help managing their calls. Carriers are developing products and services to address this root cause of disconnection**

Telephone Subscribership

- Pacific Bell's overall subscribership rate is 95%
(Current Population Survey)
- Pacific Bell's Lifeline Program is the largest in the country with 22% of residential customers subscribing
- Subscribership rates vary by income & ethnicity
- Size and diversity of California's non-English speaking communities drive extensive non-traditional advertising and outreach
- Pacific Bell's Education First program provides schools with initial ISDN connection and free first year service

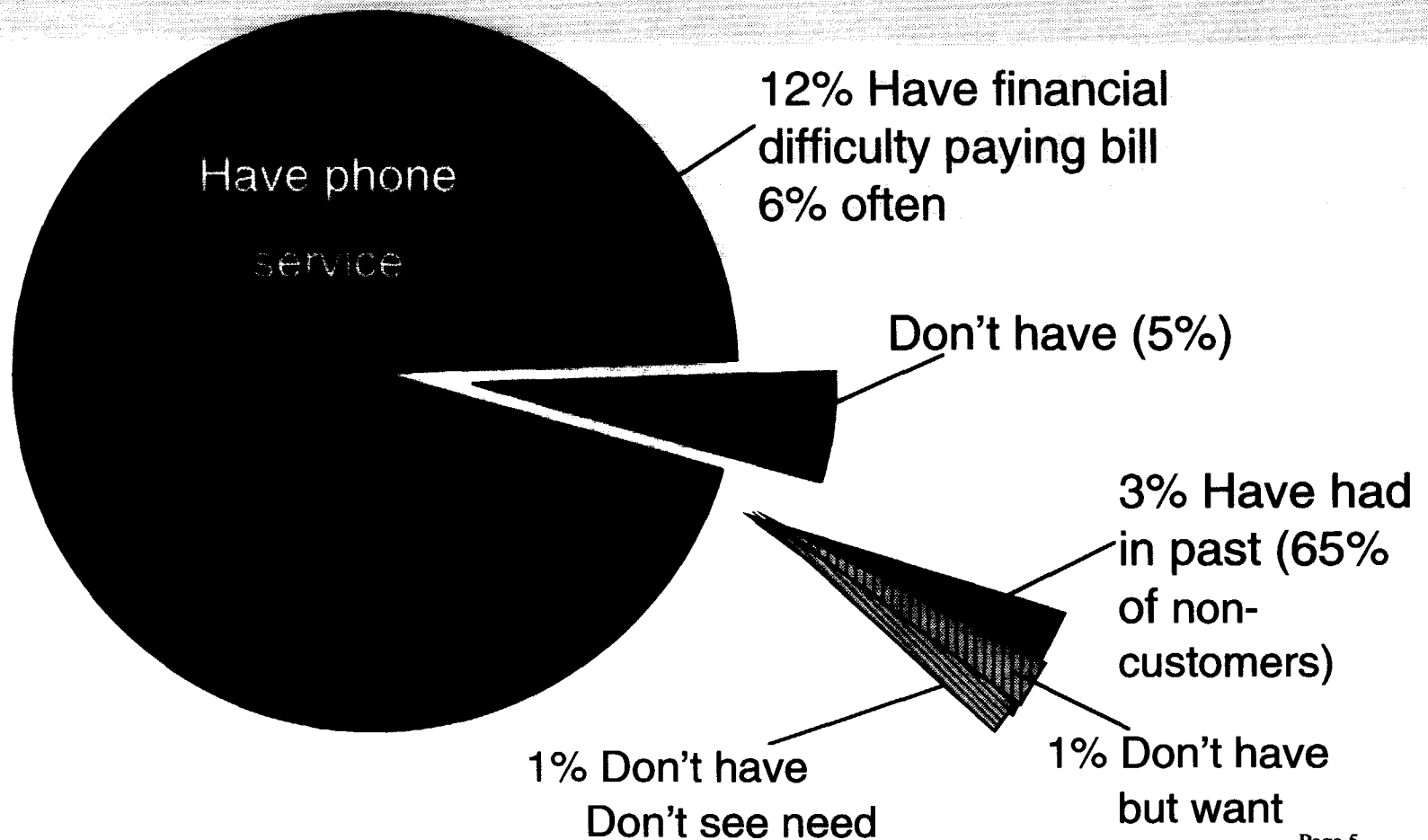
Affordability Study

- Study addressed the affordability of service and why households are without telephone service
- Study completed by Pacific Bell & GTE-C at the request of the CPUC at a cost of \$1M. Research conducted by Field Research Corp

Conclusions:

- Non-customers include many who have recently had service but lost it due to unpaid balance owed
- Non-customers are knowledgeable about how to get service and the cost of service
- To increase penetration rates in and out movement (retention) must be addressed

Importance of Retention for Improving Penetration Rates



Four Key Barriers to Increasing Subscribership

- **Call Control**
- **Debt Management**
- **Mobility**
- **Unserved areas**

'At risk' Customers/ Non Customers have difficulty Controlling Calls

Alternative Solutions using Long Distance Restriction Services:

- Toll Restriction/Toll Blocking
- Pre-paid Calling Cards
- Quick Dial Tone for Emergency Access
- Billed Number Screening
- Information Call Services Blocking
- Advance Notice on Toll

Toll Restriction/Toll Blocking

- Blocks customers from completing billable toll calls from their residence or business lines
- Form of security in lieu of deposit
- Types of calls completed:
 - ◆ Local calls, Zone 1 & 2
 - ◆ 800 Calls
 - ◆ 911, 611 and 411
- If imposed as a collection tool will have no associated cost to the customers for six months
- Toll blocking that is ordered as a product will have a recurring charge of \$2.00/month

'At risk' Customers/ Non Customers have difficulty with Debt Management

Alternative Solutions:

- Payment Arrangements
- Toll Restriction
- Pre-paid Calling Cards
- Improved Customer Management processes

'At risk' Customers/ Non Customers are Highly Mobile

Alternative Solutions:

- Reduced installation rates; expand Link-Up assistance
- Innovative Voice Mail applications:
 - La Cooperativa Campesina
 - Weingart Center & Salvation Army trial
- Pre-paid Calling Cards
- Pagers

Extending Telephone Service to Unserved Areas

- Pacific Bell supports BETRS* having more spectrum.
450 Mhz range currently shared with paging
 - Co-primary sharing by BETRS & air-to-ground radio telephone service
 - BETRS - own frequency block
- With expansion of BETRS, Subscriber Loop Carrier Systems could help serve more customers

BETRS - Basic Exchange Telecommunications Radio Service

Drawbacks of Prohibition on Disconnection of Local Service

- No clear correlation between prohibition on disconnect and increased subscribership
- Reduces the customer's responsibility for payment of account and incentive to utilize toll blocking. Likely that customers will ultimately default on local charges
- Net bad debt increases
- Cost of upgrading billing systems. Increased customer contact time
- LECs may lose billing for IECs therefore customers lose the consolidated bill format
- Some collect calls & interstate bill-to-third number calls can still be completed

Recommendations and Conclusions

- We need flexibility to work with the state and community groups to continue to develop services that meet the needs of customers in California. Rely on competition to extent possible
- FCC should focus on root causes not effects.
Prohibiting disconnect addresses effect.
Toll Restriction addresses root cause.
- Subscribership programs, where needed, should be targeted and compatible with market conditions i.e. explicit, with broad-based competitively neutral funding e.g.Link-Up, schools

Affordability of Telephone Service

A Survey of Customers and Non-Customers

conducted by

Field Research Corporation

**PACIFIC  TELESIS.
Group**

jointly funded by

GTE and Pacific Bell

Colin Petheram
Consumer Affairs Director
Lifeline Service
Outreach

140 New Montgomery Street, Room 1220
San Francisco, California 94105
(415) 542-2843
Fax (415) 957-9987

mandated by

California Public Utilities Commission

Acknowledgements

The development of this research project included ideas from many leaders of California's diverse communities. They provided over 200 initial ideas that were ultimately used in the development of the research plan. Subsequent to that they reviewed the draft questionnaire and provided significant ideas which were incorporated into the final questionnaire used in the research.

Leo Avila	American GI Forum	Modesto
Marla Scharf	California Dept. of Consumer Affairs	Sacramento
Cheryl Jacobsen	California/Nevada Community Action Assoc.	Sacramento
Irene Pham	The Cambodian Family, Inc.	Santa Ana
Rod Wright	Congresswoman Maxine Waters	Los Angeles
Anna Alvarez-Boyd	Consumer Action	San Francisco
Ken McEldowney	Consumer Action	San Francisco
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Doua Vang	Hmong Council	Fresno
Sylvia Gonzalez	International Institute of Los Angeles	Los Angeles
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Shannon Reeves	NAACP	Los Angeles
Anni Chung	Self Help for the Elderly	San Francisco
Audrie Kraus	TURN	San Francisco
Irene Putnam	Union of Pan Asian Communities	San Diego
Terry Grey	ULTS Trust Fund	Oakland
Quang Pham	Vietnamese Community of Orange County, Inc.	Santa Ana

Research Overview

Broad objectives:

- (1) To determine *reasons for not having telephone service*
- (2) To explore the *affordability* of telephone service
- (3) To provide a means for *updating* telephone penetration

Two studies undertaken:

- (a) *Non-Customer Survey* (in areas with less than 90% telephone penetration, U.S. Census, 1990)
- (b) *Customer Survey*

Non-Customer Survey: Overview of Design Plan

- *S.F. Bay Area, L.A./Orange, San Diego, Fresno, Sacramento*
- *Block Clusters with less than 90% penetration identified*
- *250 Block Clusters selected using systematic random sampling*
- *In each Block Cluster, interviewers listed 60 households, attempted to interview all non-customers (17,215 households in total)*
- *For every non-customer interviewed, the next available customer of the same ethnicity was interviewed*
- *Interviewed 571 Non-customers, 566 Matched Customers*

Other Study Details

Interviewing subcontracted to ethnic minority-owned businesses.

Each Block Cluster showed ethnic make-up of the cluster so interviewers could be matched to the predominant ethnicity/race.

Questionnaires translated into Spanish, Chinese, Korean, Vietnamese.
Bilingual interviewers were used for Hispanic and Asian clusters.

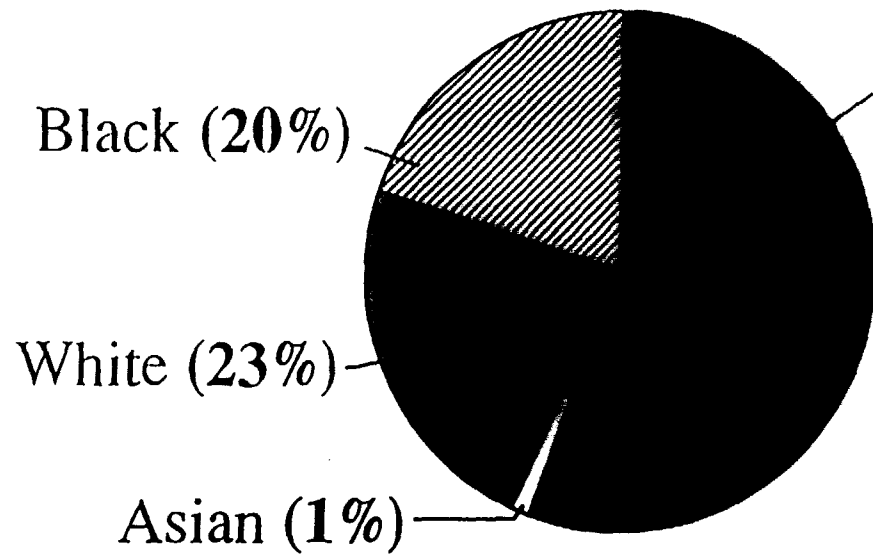
Interviewers given intensive training and carefully monitored throughout the project. To help in obtaining high cooperation rates interviewers carried with them:

An ID badge with GTE or Pacific Bell name

A set of letters in English, Spanish and the three Asian languages from well known community leaders endorsing the study

Field Dates: September 14 through October 31, 1993

Characteristics of Non-Customers



Hispanic (56%)

Prefer Spanish 65%

Prefer English 17%

No preference 17%

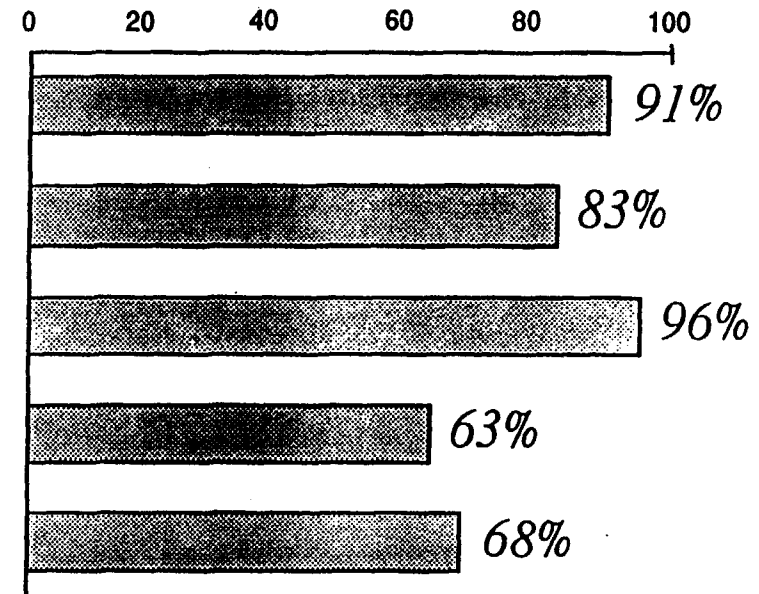
Aware Spanish speaking representatives (a)

Meet ULTS qualifications

Rent

3 or more members in household

Under 40 years old



(a) among Hispanics

Field Research Corporation

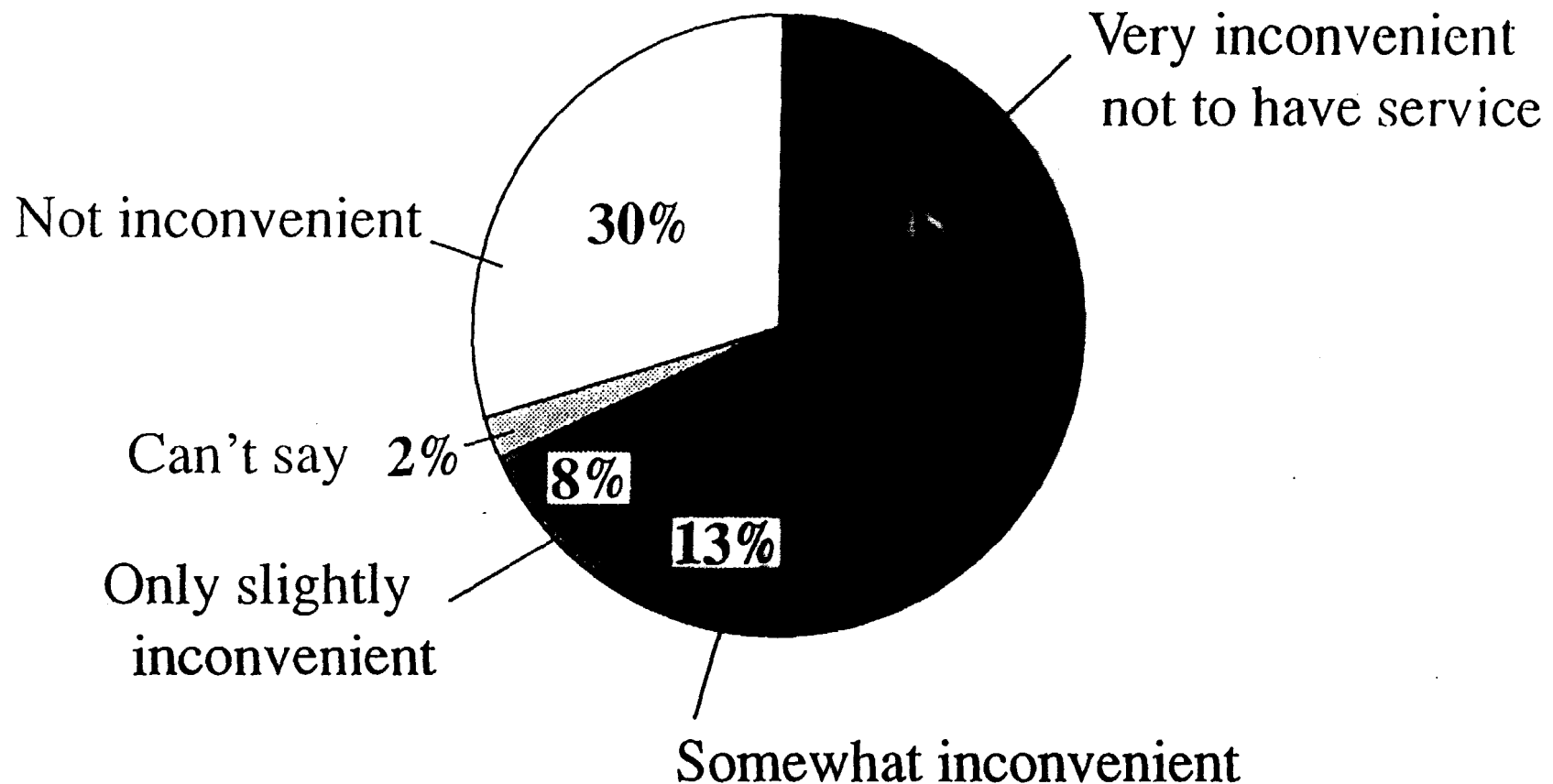
Non-Customers vs. Matched Customers

- *Non-Customers have just slightly lower household incomes on average*
- *But, are much more mobile than their customer counterparts*

	<u>Low Telephone Penetration Areas</u>		
	<u>Non-Customers</u>	<u>Matched Customers</u>	<u>Difference in percentages</u>
Lived at current address less than 1 year	52%	27%	+25
\$15,300 or less (household income)	67%	57%	+10
Less than high school	47%	42%	+5
Average age	35	40	-5
Married	35%	46%	-11

Attitude toward Not Having Phone Service

- *Most, but not all, non-customers find it inconvenient*



Telephone Usage Patterns of Non-Customers

	<u>Very Inconvenient</u>	<u>Slightly/ Somewhat</u>	<u>Not Inconvenient</u>
<i>Usually use —</i>			
Public, pay phone	71%	67%	54%
Friend, neighbors' phone	33	38	32
Average # calls/week	10	6	8
Average # pay phone calls/week	8	3	2
Median \$/month	\$7	\$5	\$3
<i>In emergency, nearest phone —</i>			
In same building	34	49	48
Elsewhere	65	48	47
Median minutes to reach	4	2	2